VIA EMAIL

October 13, 2023

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888

RE: Veolia Water Rhode Island, Inc.
Docket No. 4800
Distribution System Improvement Charge
Sheet No.'s 24 – 25 Tariff Effective November 5, 2023

Dear Ms. Massaro:

Enclosed please find the Veolia Water Rhode Island, Inc. Tariff Sheet No.'s 24 - 25 effective November 5, 2023. Redlined copies of the same sheets are also attached.

Best regards,

/s/ David Njuguna

David Njuguna
Senior Manager - Rates

DN:dmv
Enc.

cc: John Bell – Division of Public Utilities & Carriers
Cynthia Wilson-Frias, Esq. Commission Counsel
Elda Gil
Chris Jacobs
Tiffany Parenteau, Esq. – Division of Public Utilities
Gary Prettyman

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

The Commission authorized the Company to implement a Distribution System Improvement Charge (“DSIC”) to recover its costs associated with completed (i.e., placed in service) transmission and distribution ("T&D") system replacement and rehabilitation projects between base rate proceedings. This program began on October 5, 2018 in Docket 4800.

a. The DSIC surcharge will be re-calculated and implemented semi-annually. The DSIC will reflect qualified additions for the previous six-month period that are nonrevenue producing and include additions that are replacing and rehabilitating in nature ("Qualified Additions").

b. Qualified Additions may include among other things: mains; main cleaning and lining; services; hydrants; valves; short mains and valves; meters; dead-end looping; and re-location due to government requirements.

c. The DSIC surcharge shall be calculated on eligible investment in excess of Base Spend on an annual basis. The Base Spend may be allocated in each six-month period as long as it equals the total in the annual calculation.

   "Base Spend" means the level of investment equal to the Company's depreciation expense for utility plant Accounts 331 (Transmission & Distribution Mains), 333 (Services), 335 (Hydrants), and 334 (Meters) as reported in the Company's most recent annual report to the Commission.

d. The rate of return would be based upon the rate of return approved by the Commission in the Company's most recent base rate case.

e. Rate base would include accumulated depreciation and deferred federal income tax on Qualified Additions.

f. Depreciation expense on the DSIC plant would be included using the composite depreciation rate for the DSIC eligible accounts.

g. Revenue taxes would be grossed-up and the revenue requirement would be on a pre-tax basis.

h. The DSIC surcharge would be capped at: 1) 2.5% per fiscal year (fiscal year begins with the first DSIC surcharge); and 2) 7.5% between base rate cases.

i. Within 15 days after the end of the six-month DSIC period, the Company will submit to Commission Staff a DSIC Filing containing its surcharge calculation. The surcharge will go into effect 45 days following the Company's filing of the surcharge calculation.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (Continued)

j. A surcharge would be applied to all customer bills equal to the percentage calculated by dividing the DSIC revenue requirement by the Company's projected revenues for the next six months. The surcharge will be applied on a bills rendered basis.

k. After the first twelve-month DSIC period and each six-month period thereafter on a rolling twelve-month basis, the Company will include an Earnings Test as part of its DSIC Filing. If the Company is earning in excess of 15 basis points over its last allowed overall rate of return on rate base, as approved by the Commission in the Company's most recent base rate case, then the DSIC surcharge would cease until such time as the Company is in an under-earning position.

l. Each DSIC filing will include a reconciliation on the over (under) recovery of the DSIC surcharge.

m. There will be no "Gap Period" as a result of the Company filing for new base rates. The Gap Period represents the time between: 1) when Qualified Additions are reflected in base rates; and 2) the Company's subsequent DSIC Filing. For example, if increased rates become effective in April and that increase only includes Qualified Additions through the prior December, the next DSIC surcharge after the rate increase would include Qualified Additions from January through September (i.e., six months after the April effective date of new rates).

n. The Company may include Restoration Service Costs (i.e., costs necessary to restore construction to pre-construction condition or as dictated by State, Federal, or municipal laws, rules, ordinances, orders, or regulations, including, but not limited to, paving, sidewalks, curbing, landscaping, and traffic control costs) for Qualified Additions that are incurred after a Qualified Addition is placed in service in future DSIC Filings.

o. The Company will submit to Commission Staff an Annual DSIC Filing, to be made within 90 days after the end of the first 12-month DSIC period and each 12-month period thereafter. This filing should provide back-up data (such as in service dates, actual paid capital expenditures, work orders and other details as requested by the Commission) for all Qualified Additions included in the prior DSIC period.

p. The DSIC surcharge will remain in place until the Commission orders new base rates for the Company. After the DSIC surcharge resets to zero through a base rate proceeding, the plant additions previously included in the DSIC will be accounted for and included in the Company's base rates.

In addition to the net charges provided for in this Tariff, a charge of ~~5.00~~7.50% will apply to all charges for bills rendered on or after November 5, ~~2022~~2023.

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